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COUNTRY

Cuba

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SUBJECT

Economic Crisis in the Making/Batista
Entrenched

DATE

5 Oct. 53

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Supplement to:

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Responsive to:

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1. [] the Cuban economic situation is approaching a crisis. There are several factors involved, the most important of which is the fact that the sugar mills have in former years spent considerable sums (10 to 15 million dollars in materials and an approximate amount in labor) in order to get ready for the season's operations. This preparation work is ordinarily done during the months of August, September, and October, but this year [1953] it has been postponed until some time in October, and even then, they don't intend to spend any considerable sum. This holding back on their part has created a situation where the expected lift to their economy in August didn't occur, and when the sugar mills do start spending, it will be less than half of normal.

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2. As a result, people in the countryside are feeling the effects of this desperately - small farmers are letting their cane stand in the fields uncut, the henequin fields are also not being cut. There is a great deal of money being spent in Cuba, but mostly in housing, which isn't helping them in their basic problem of eating. Cuba still imports 75 per cent of its rice, and for that reason a substantial part of the 50 million dollar loan being made the Cuban Government [] will go to Oriente Province to try to develop rice production.

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3. Another factor leading to an economic crisis is the fact that the government has 45 million dollars in due bills and there isn't any money in the treasury to pay these bills. Notwithstanding, they intend to go on with the housing projects, and rice development program using the money from the previously mentioned 50 million. Five million of this has been earmarked for the purchase of new [] aircraft. It is understood the government, through the Banco de Fomento is guaranteeing repayment of the 50 million loan, and assures the loaning group that the necessary dollars will be made available by pledging export license for dollar generating products.

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4. Among the intellectuals and people of consequence [] in Cuba, there is a great resentment of the abrogation of civil rights by Batista, but they take his control of the government and country pretty much in stride. They feel that in general he is pretty good for the country, especially as he has been able to turn back what they consider some unreasonable labor demands.

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